

With the 2014 filing season just beginning, my agency is redoubling its efforts to provide unparalleled service to Maryland's taxpayers and tax professionals. By providing my dedicated staff with the newest technology, the Comptroller's Office is committed to making tax filing as easy as possible.

In addition, I am committed to speaking out for Marylanders on important fiscal issues including changes in Maryland's estate tax.

I recently advocated "recoupling" Maryland's estate tax with federal estate tax regulations. Currently, Maryland taxes estates valued at more than \$1 million. A number of bills now in the Maryland Assembly seek to raise that exemption to a rate more in line with federal law.

The large gap between Maryland and the federal estate tax exemption creates inconsistencies for inter-generational planning and an uncompetitive

environment with neighboring states. A higher exemption would help attract entrepreneurs and the jobs they bring with them and would help keep the people who so often are bedrock philanthropists in their community

My agency is also committed to making certain every taxpayer receives the money he or she deserves. Whether it is an income tax refund or an Earned Income Tax Credit, I want every taxpayer to know I am working for you.

My office is here to help during this busy season. Please visit our website, **www.marylandtaxes.com**, for answers to tax-related questions.

As always, we greatly appreciate all Marylanders who diligently file and pay their taxes on time, and we are here to help those who struggle to pay their taxes.

I pledge to keep working on behalf of all of the residents of Maryland.

Peter Franchot
Comptroller of Maryland

New for 2014

Comptroller Peter Franchot has announced important information about recent changes to Maryland tax laws and filing processes for the 2014 Tax Filing Season.

Due to the 16-day federal government shutdown last fall, the Internal Revenue Service (IRS) delayed the start date for filing personal current-year tax returns to January 31. Maryland also opened its tax filing season on the same day since it relies on IRS systems in the processing and verifying of state returns. This year's tax filing deadline remains April 15, 2014. As always, the Comptroller reminds taxpayers to file electronically for the most efficient and secure way to file a tax return.

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REVENUE

Six New Business Tax Credits Available

There are six new business tax credits available for the 2014 Tax Filing Season. Taxpayers are advised to see instructions to Form 500CR. Here are the highlights:

Electronic Format: The paper version of Maryland Form 500CR Business Income Tax Credits is no longer available. You must file your Maryland return electronically to claim the business income credits available from Form 500CR. See Instructions to Form 500CR.

Form 500: Must be filed electronically to claim a business income tax credit from Form 500CR or a Sustainable Communities Tax Credit from Form 502S.

New tax credits:

- **Health Enterprise Zone (HEZ) Hiring Tax Credit.** If you are a qualified HEZ practitioner, you may be able to claim a credit of \$10,000 for hiring a qualified employee in a qualified position in a HEZ over a 24-month period.
- **Oyster Shell Recycling Tax Credit.** An individual or business may claim a credit in an amount of \$1 for each bushel of oyster shells recycled during the taxable year with a maximum credit of \$750.
- **Security Clearance Costs Tax Credit.** Businesses that incur costs certified by the Department of Business and Economic Development to construct or renovate Sensitive

Compartmented Information Facilities (SCIF) or for certain Security Clearance Administrative Costs may be eligible to claim a credit for security costs.

- **First Year Leasing Costs Tax Credit for A Qualified Small Business.** Certain small businesses performing security-based contracting that incur expenses for rental payments owed during the first year of a rental agreement for spaces leased in Maryland costs may be eligible to claim a credit for security costs certified by the Department of Business and Economic Development.

- **The current Research and Development Tax Credit.** A tax credit is now refundable for taxpayers who are certified as small businesses by the Department of Business and Economic Development.

- **Wineries and Vineyards Tax Credit.** Businesses and individuals may claim a credit of 25% of qualified capital expenses, approved by the Department of Business and Economic Development, made in connection with the establishment of new wineries or vineyards or capital improvements to existing wineries or vineyards.

The Maryland General Assembly has removed the expiration provisions from the Maryland Disability Employment Tax Credit.

Tax exempt organizations which qualify for business tax credits against their withholding tax will now use Form MW508CR to claim the tax credit on Form MW508.

Form 1099G Mailed to 1.2 Million Maryland Taxpayers

During 2013, more than 2.3 million individual taxpayers received a refund of income taxes from the Comptroller of Maryland. Federal law requires the Comptroller's Office send a Form 1099G by Jan. 31, 2014, to taxpayers who itemized deductions on their federal return and to whom an income tax refund, credit, or offset was sent in 2013.

As a result, the Comptroller's Office has mailed slightly more than 1.2 million Form 1099Gs to taxpayers. In addition, email notifications have been sent to more than 68,000 taxpayers informing them that their Form 1099G is available to be downloaded and printed from our website at www.marylandtaxes.com. Taxpayers who have requested the paperless Form 1099G are playing a major role in saving taxpayer dollars.

You can save money too by looking for the checkbox on your electronic return to request your Form 1099G electronically. For more information, visit our 1099G FAQ page on our website at www.marylandtaxes.com.

FORM 1099G	
This is important tax information - not a bill or notice of a refund.	
Payer's name, address, ZIP code, and federal identifying number	
The Comptroller of Maryland is required by federal law to notify you that the state tax refund you received last year may have to be reported on your 2013 federal income tax return.	
Box 2 shows the total amount of refund(s) in 2013 from your original or amended Maryland return. If you included this amount as an itemized deduction on your 2012 federal return, you must report this refund on your 2013 federal return.	
Box 3 identifies the tax year for which the refund in Box 2 was made.	
Box 4 shows that there was a credit or offset of all or part of the refund included in Box 2.	
ESTO NO ES UNA CUENTA O UN AVISO DEL REEMBOLSO	
To find more answers about your 1099G form, visit: www.marylandtaxes.com - Si usted tiene preguntas sobre la forma 1099G, visite: www.marylandtaxes.com	

The 1099G is available for download at www.marylandtaxes.com.

Comptroller Releases Names of Top 50 Tax Evaders Owing Nearly \$15 Million in “Caught in the Web” Program

Comptroller Peter Franchot announced the names of the top 25 businesses and individuals collectively owing nearly \$15 million in unpaid taxes, penalties, and interest to the state of Maryland.

Known as the **Caught in the Web** program, the Comptroller’s Office routinely publishes the list of the top 50 scofflaws on the agency’s website – www.marylandtaxes.com – as a public attempt to get people to pay.

“The **Caught in the Web** program highlights the small number of Marylanders who have chosen to take advantage of the benefits of this great state, but who make a conscious effort to avoid paying taxes,” Comptroller Franchot said. “These are not people simply down on their luck and unable to pay, but individuals and business owners who knowingly thumb their noses at the state.”

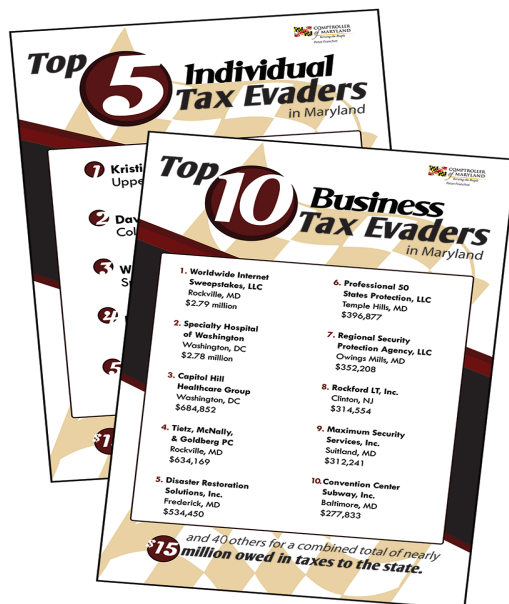
Created to send a message to those who have ignored attempts by the state to collect overdue taxes, the program

names tax delinquents owing the largest sums in back taxes on the agency’s website for six months, until payment has been received or a payment plan has been initiated.

Since the program’s inception in 2000, the agency has collected more than \$27 million from delinquent taxpayers whose names appeared on one of the agency’s lists. The most recent group includes liabilities of nearly \$3.69 million in back taxes, penalties, and interest from 25 individuals and more than \$11 million from 25 businesses.

When an individual fails to pay his taxes, the Comptroller’s Office initially sends a letter listing any unpaid charges incurred for taxes, interest and penalties. If the taxpayer fails to pay, enter into a payment plan, or provide a qualifying reason for having not yet paid, the Comptroller’s Office may then:

- File a lien,
- Garnish wages,
- Prevent renewal of state business license,
- Prevent renewal of professional and occupational licenses,
- Attach assets (including bank accounts),
- Intercept state and federal tax refunds,
- File an estimated assessment for taxes due in unreported periods,
- Issue a summons to appear at a hearing to revoke a sales tax license or initiate other legal processes; or
- Suspend state payments if the taxpayer does business with the state.



*Posters from the Comptroller’s Program:
Caught in the Web.*

Taxpayers who fail to contact the agency to satisfy their tax liability or enter into an agreement to do so are at risk of being identified in the **Caught in the Web** program. These individuals and businesses are notified prior to the list’s posting that they will be included.

Did You Know? The Comptroller’s Office Offers Free Assistance All Year?

Appointments can be made online at www.marylandtaxes.com

or call the Taxpayer Services information line call: 1-800-MD TAXES or 410-260-7980.

Same-Sex Couples Legally Married Can File Joint Income Tax

Same-sex couples who are legally married will now generally file joint income tax returns in Maryland.

Maryland law had already provided that legally married same-sex couples could file joint income tax returns. However, a United States Supreme Court decision in June 2013 changed the federal treatment for same-sex married couples and federal income tax.

In August 2013, the U.S. Department of the Treasury and the Internal Revenue Service (IRS) ruled that same-sex couples, legally married in jurisdictions that recognize their marriages, will be treated as married for federal tax purposes. The ruling applies regardless of whether the couple lives in a jurisdiction that recognizes same-sex

marriage or a jurisdiction that does not recognize same-sex marriage. Under the ruling, same-sex couples will be treated as married for all federal tax purposes, including income and gift and estate taxes. The ruling applies to all federal tax provisions where marriage is a factor, including filing status, claiming personal and dependency exemptions, taking the standard deduction, employee benefits, contributing to an IRA, and claiming the earned income tax credit or child tax credit.

Legally married same-sex couples generally must file their 2013 federal income tax returns using either the married filing jointly or married filing separately filing status. Maryland is a conformity state and generally follows the federal filing status. All legally married couples who file Maryland income tax returns must select their Maryland filing status under the same rules.

Gaithersburg Brew Pub Takes First-Ever Comptroller's Cup at Maryland Brewers' Harvest

Comptroller Peter Franchot announced the winner of the first Comptroller's Cup competition, sponsored by the Brewer's Association of Maryland (BAM), at the Maryland Brewers' Harvest this past November in Baltimore.

Growlers Yorkshire Porter of Growlers Brew Pub in Gaithersburg – the oldest brew pub in Montgomery County – took the Comptroller's Cup and Gold Award in the Best of Show-Best Overall Maryland Beer category. In that same category, Gordon Biersch Brewing Company of Rockville took the Silver Award for its Czech-style Pilsner and the Flying Dog Brewery of Frederick received a Bronze Award for its Horn Dog Barleywine.

The event celebrated small craft beers and brewers throughout the state and was held at the Joseph Meyerhoff Symphony Hall. There were 195 entries in 13 categories of beers. Each Gold Medal winning beer in each category advanced to the Best of Show round, where the top three were awarded medals with the overall Best of Show winner receiving the Comptroller's Cup. Beers were judged via Beer Judge Certification Program (BJCP) Style Guidelines.

The Comptroller's Cup recognizes the excellence of Maryland brews and showcases the entrepreneurial spirit of local brewers.

The Brewers Association of Maryland (BAM) is a non-profit trade association of Maryland brewing companies, founded in 1996. The mission of BAM is to promote and protect Maryland craft beer.

Remember that the fastest, safest, and easiest way to meet your tax obligation is to file and pay electronically!

www.marylandtaxes.com

Motor Vehicle Tax Certifications Reminder



Some individuals who previously were unable to obtain a drivers' license, ID card, or moped operators' permit now can obtain

these documents in Maryland under the Maryland Highway Safety Act of 2013.

Applying individuals must provide certification of filing a Maryland personal income tax return for the last two years or being claimed as a dependent on a tax return.

Taxpayers can self-certify online if they have filed two years of Maryland tax returns as a primary/secondary taxpayer and used an ITIN. After you have self-certified, you can print your certification letter and make an appointment with the Motor Vehicle Administration (MVA). The electronic process began Nov. 1, 2013. Those who are unable to provide two years of tax records will need to make an appointment with the Comptroller's Office to acquire the certification letter.

The certification letter is FREE. Appointments can be made online or by calling the taxpayer services information line, 1-800-MD TAXES or 410-260-7980.

When coming for an appointment in the Comptroller's Office to obtain certification, a taxpayer should bring completed Maryland Form 130 (Request for Certification of Tax Filings) and must have

- A photo ID and an original or copy of the Individual Taxpayer Identification Number (ITIN) letter from the IRS or Social Security Card, or



Maryland driver's licences are not re-newed when the customer still owes tax money to the state. Such problems can be resolved by making an appointment toll free at 1-800-MD TAXES or 410-269-7938.

- A photo ID and any three of the following five items

- Adjusted gross income (AGI)
- Filing status
- Number of exemptions
- Dollar amount of refund or balance due
- Deduction method, i.e. standard or itemized, and the dollar amount, or

from the most recent Maryland tax return, or;

- Proof of identity acceptable to the MVA, the address from which the most recent year's tax return was filed and the ITIN or SSN.

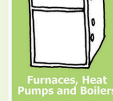
The certification letter expires 12 months after the issue date and you must wait 24 hours after getting the certification letter before you make an appointment with the MVA at www.mva.maryland.gov/license. If you are a dependent, you can make an appointment and nothing is required by a parent or guardian.

Feb 15-17 Shop Maryland Energy



Shop Maryland Energy and Shop Green All Weekend Feb. 15-17

Get a break from Maryland's 6% sales tax on qualifying Energy Star standard-size refrigerators, furnaces, washers and dryers, air conditioners, dehumidifiers, compact fluorescent light bulbs and programmable thermostats bought between Feb. 15-17. For more information, visit www.marylandtaxes.com or email questions to: shopmaryland@comp.state.md.us or call 1.800.MD.TAXES.



Items not included in the special tax-free period include wine and dorm-sized refrigerators, microwaves, dishwashers, stoves, windows, doors and other building materials.

Comptroller Franchot Calls for Recoupling With Federal Government on Estate Tax

Comptroller Peter Franchot strongly supports the re-coupling of the Maryland estate tax with federal government regulations.

Currently, Maryland estates worth more than \$1 million are taxed by the state at a rate of up to 16 percent while the federal government exempts the first \$5.25 million of estates, but taxes estates up to 40 percent thereafter.

"The large gap between Maryland and the federal estate tax exemption creates inconsistencies for family planning

and an uncompetitive environment with neighboring states," Comptroller Franchot said. "This doesn't just benefit the families it would directly effect, either. It's about attracting entrepreneurs and the jobs they bring with them and keeping the people who so often are bedrock philanthropists who give so much back to our communities."

Maryland had mirrored federal regulations on estate taxes until the state de-coupled its estate tax in 2002 as the federal government began the phaseout of the federal estate tax and increased filing exemption amounts.

Comptroller Delivers Final "William Donald Schaefer Helping People Award" in Somerset County



William Donald Schaefer (1921–2011) served in public office for more than a combined 50 years as governor and comptroller of the State of Maryland and as mayor and on the city council of the City of Baltimore.

Comptroller Peter Franchot visited Somerset County Jan. 28, 2014, to present the 24th and final William Donald Schaefer Helping People Award to the Crisfield Lion/Lioness Club. The organization was honored for its work to rehabilitate the homes and community facilities of low-income, elderly and/or disabled homeowners. The presentation was made at a Somerset County Commissioners meeting.

The Comptroller created the Schaefer award to honor the legacy of public service exemplified by the former governor and comptroller. Schaefer was Mayor of Baltimore from 1971 to 1986; Governor of Maryland from 1987 to 1995; and Comptroller from 1999 to 2007. One winner was selected from each of Maryland's 24 jurisdictions.

Winners of The 2013

William Donald Schaefer Helping People Award

- | | |
|---|--|
| Charles & Joyce Smith
- Allegany County | Human Services Programs of Carroll County, Inc.
- Carroll County |
| Harford Family House
- Harford County | Hospice House of St. Mary's
- St Mary's County |
| Seeds 4 Success
- Anne Arundel County | Christmas in April
- Cecil County |
| Committee to End Homelessness
- Howard County | Crisfield Lions/Lioness Clubs
- Somerset County |
| Franciscan Center
- Baltimore City | Future Next Corporation
- Charles County |
| Chestertown Mayor, Margo Bailey
- Kent County | Rabbi Peter Hyman
- Talbot County |
| Consumer Credit Counseling Service of Maryland & Delaware
- Baltimore County | Chuck Kelly, Craig's Drug Store
- Dorchester County |
| Trio Galilee
- Montgomery County | Franklin P. Erck, III
- Washington County |
| Bernie Fowler, Jr., Farming 4 Hunger
- Calvert County | Jason Mecler, Founder, JoAnn Garrett Classic
- Frederick County |
| Erwin Mack
- Prince George's County | Art Cooley, Lower Shore Parkinson's Support Group
- Wicomico County |
| Sister Jeannette Murray
- Caroline County | Duane Yoder, Garrett County Community Action Committee
- Garrett County |
| Susan Ponchock, Founder Bosom Buddies Charities, Inc.
- Queen Anne's County | Worcester County Veterans Memorial at Ocean Pines
- Worcester County |

www.marylandtaxes.com

Here's What's New for the 2014 Tax Filing Season

"My dedicated staff has been diligently preparing for the tax filing season and is ready to provide the world-class customer service that they are known for to all Maryland taxpayers," Comptroller Franchot said. "I encourage everyone to take full advantage of the range of services offered at our 12 branch offices, including free tax preparation and electronic filing."

He noted that taxpayers must have a completed federal income tax return and supporting documentation for agency staff to complete a state income tax return.

Comptroller Franchot also informed taxpayers of some changes and offered some helpful tips for filing 2013 returns:

TAX FORMS, INSTRUCTIONS & BOOKLETS

- **Tax Booklets** – Tax booklets will not be mailed in 2014. Taxpayers may file electronically or print the tax booklet and forms from the www.marylandtaxes.com website or contact the nearest branch office for assistance.
- **Branch Offices** – Local branch offices are open from 8:30 a.m. to 4:30 p.m. Monday through Friday to assist taxpayers in filling out and electronically filing their tax forms at no cost. A list of branch offices can be found on the agency's website.
- **Telephone Assistance** – Telephone service is available Monday through Friday 8 a.m. to 5 p.m. The Comptroller's office offers extended hours for telephone assistance from Feb. 3 to April 15. During this period, telephone assistance is available from 8 a.m. to 7 p.m. Monday through Friday at 1-800-MD-TAXES.
- **Libraries and Post Offices** – The Comptroller's Office no longer supplies any local post offices or most all libraries with tax booklets. Libraries that requested booklets have a limited supply.

NEW LOCAL TAX RATES

- **Local Tax Rate Increase** – For tax year 2013, Anne Arundel County has increased its local tax rate back to 2.56%, Talbot County has increased its rate to 2.40%, and Wicomico County has increased its rate to 3.20%. See Local Income Tax Rates for the list of rates by county. For tax year 2014, Caroline County has increased its rate to 2.73%,

Carroll has decreased its rate to 3.04%, and Charles County has increased its rate to 3.03%.

EXEMPTIONS

- **Personal Exemption Amount** – The exemption amount of \$3,200 begins to be phased out if your federal adjusted gross income is more than \$100,000 (\$150,000 for joint filers.) The \$3,200 exemption is phased out entirely when the income exceeds \$150,000 (\$200,000 for joint filers.) See Instruction 10 in the Resident tax booklet for the reduced amounts, or review the page "Determine Your Personal Income Tax Exemptions." The additional exemption of \$1,000 remains the same for age and blindness.
- **Dependent Form 502B** – This form will be required to be attached to Form 502, Form 505, and Form 515 to determine the exemptions you are entitled to claim. Taxpayers claiming more than two dependents on Form 503 must use Form 502.

SUBTRACTIONS

- **Increased pension exclusion** – Maryland's maximum pension exclusion, which is available to qualifying taxpayers 65 or older, increased from \$27,100 to \$27,800 for tax year 2013.
- **Subtraction Modifications**
 - There are three new subtraction modifications created by the Maryland General Assembly for tax year 2013:
 - *Expands the existing conservation tillage equipment income tax subtraction modification to include qualified purchases of specified (1) manure spreading equipment; (2) vertical tillage equipment; (3) global positioning system devices used for management of agricultural nutrient applications; and (4) integrated optical sensing and nutrient application systems.*
 - *Creates a subtraction modification against the state income tax for the noneconomic damages received by a claimant in satisfaction of a claim of unlawful discrimination.*
 - *Expands the applicability of an existing income tax subtraction modification for reforestation or timber stand improvement, making it available for land ranging from three to 1,000 acres and allowing for a broader range of timber stand improvement activities.*

Franchot Receives Ron Resh Business Advocate Award

Comptroller Franchot received the Ron Resh Business Advocate Award during a December meeting of the Greater Bethesda-Chevy Chase Chamber of Commerce.

"We're thrilled to present Comptroller Peter Franchot with the Ron Resh Business Advocate Award. He realizes that small businesses are the backbone of our community and makes sure they realize they are important to the future of our state," said Andy Stern, immediate-past president of the Greater Chevy Chase Chamber of Commerce and President of Andy Stern's Office Furniture.

Comptroller Franchot is the fourth recipient of the award named for the late Ronald E. Resh, a longtime leader of the Bethesda-Chevy Chase and Montgomery County Chambers of Commerce. Resh passed away Oct. 26, 2010.



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www.marylandtaxes.com



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